

# Performing An 80/20 Audit On Your Business

PROFITUNE  
BUSINESS  
SYSTEMS

Better management,  
bigger profits

Presented by



BUSINESS  
IMPROVEMENT  
SPECIALISTS



---

**«FIRST\_NAME» «LAST\_NAME»**  
**PROFITUNE BUSINESS IMPROVEMENT SPECIALIST**  
«Company\_Name» «Address\_Line\_1» «City» «State» «ZIP\_Code», «Country»  
Phone: «Work\_Phone» Fax: «Fax» Email: «Email\_Address» Web: [www.profitune.com](http://www.profitune.com)

Copyright © Material produced under licence for Profitune Business Systems P/L

# Performing An 80/20 Audit On Your Business

An Italian nobleman and economist Vilfredo Pareto (1848-1923) was the first person to postulate on the universal interdependency of economic events. Apart from being required reading for the economists and academics of the time, his book on the subject was not a riveting best seller. However, he did come up with a rule which over time has become loosely known as the Pareto Principle, or the 80/20 rule.

And what does it mean when you strip away all of the economic waffle? In short, there's an inverse relationship between the cause and the effect, and Pareto postulated that it was in the order of 80/20.

This interdependent relationship between cause and effect tends to apply at home, in your social life, and at work.

Ever had to organise a social event? About 20% of those involved will do 80% of the work. Ever been a member of a service club? About 20% will do 80% of the work. Ever played sport? About 20% will score 80% of the points.

My pet beef on the home scene is that 80% of the time the toothpaste tube is only 20% full!

To be sure, the 80/20 rule is an inexact science, and some of the following business examples may not apply to you. But my hunch is that at least 80% will... and 20% of them will have an amazing impact on your business.

But, let's cut to the chase.

This special action report is an exercise in helping you to recognise the problems and/or to spot the opportunities which exist in your business or division.

And, having recognised the problem or opportunity, you're 50% of the way towards arriving at a satisfactory and profitable solution.

The other 50%, however, is the critical part. It's the doing part...the part where you work out a course of action to rectify the problem, or seize the opportunity. It requires you to act.

Remember this: Vital and timely information that is not acted upon is as useless as yesterday's newspaper.

Welcome to the 80/20 audit on your business.

# Performing An 80/20 Audit On Your Business

## Instructions on how to use this Special Action Report

This special action report consists of a diagnostic list of a large number of interdependencies that could exist in your business or division, and a worksheet which gives you the tools to put an action plan into place.

The questions are arranged in sections. For each question asked, there's sure to be a range of "solution-seeking questions" as to what is required to be done or implemented in order to effect an improvement. In the first section on staff, I've given some samples of the "solution-seeking questions" so that you get the idea.

### Step One

Go through the list of questions and simply tick in the box whether the listed interdependency applies to you. (As I said, my guess is that at least 80% will). At the conclusion of the exercise, you will have identified the key areas upon which to focus.

### Step Two

Photocopy the worksheet so that you have a separate worksheet for each interdependency as ticked.

### Step Three

Write the "Interdependency" as listed in the chart.

### Step Four

Consider the appropriate "solution-seeking questions" that will guide you in the quest for an improvement. Write them on the worksheet.

### Step Five

Set about identifying the 20%.

### Step Six

Begin to work on the solution. You will note that the worksheet asks for specific action steps for improvement. "Specific" is the key word here. The clearer you can make this action step the more likely it is that somebody will "action" it.

Now, as we all know in business, if nobody takes responsibility, then everybody will think that somebody else will do it. That's why we've included a column entitled "Resp"... short for *responsibility*. Record here the initials of the appropriate person.

Business works to time ... so, we've included a column entitled "Target date". Record here the date by which the action step should be implemented or completed.

## Performing An 80/20 Audit On Your Business

"What gets measured gets done". Hence, a third column entitled "Review date". Write in the date upon which progress toward the goal is to be reviewed, and also the initials of the review person.

"Date completed". A time for celebration, because the course of action has been seen through to its finality.

# Performing An 80/20 Audit On Your Business

## Staff

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

<p>Which 20% of administration support staff generate 80% of the productive work output?  <i>Solution seeking questions:</i> Are they being supported?                      Are they appreciated?                      Are they being rewarded?</p>		
<p>Which 20% of administration support staff generate 80% of the administrative hiccups, boo-boos, or output requiring re-work?  <i>Solution seeking question:</i> What training or changes to the system can be implemented in order to reduce this situation?</p>		
<p>Which 20% of the revenue producing staff produce 80% of the revenue results?  <i>Solution seeking questions:</i> Are they being supported?                      Are they appreciated? Are they being rewarded?                      What can be done to improve their results further?</p>		
<p>Which 20% of the revenue producing staff generate 80% of the administrative headaches?  <i>Solution seeking questions:</i> In which area are the problems created?                      Why?                      What training or changes in procedure will correct the situation?</p>		
<p>Which 20% of the staff deserve 80% of any bonuses (or praise) that may be contemplated?</p>		
<p>Which 20% of staff generate 80% of the renewable business?</p>		
<p>Which 20% of staff generate 80% of the new customers/clients?</p>		
<p>Which 20% of staff generate 80% of the obvious customer goodwill?</p>		
<p>Which 20% of staff generate 80% of the whinge time?</p>		
<p>Which 20% of staff take 80% of the sickies?</p>		
<p>Which 20% of staff account for 80% of late or poor attendances?</p>		
<p>Which 20% of staff generate 80% of the new business?</p>		
<p>Which 20% of staff contribute 80% of the efforts toward making the business or division function as a team?</p>		

# Performing An 80/20 Audit On Your Business

## Suppliers

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of suppliers account for 80% of the late deliveries or administrative hassle?		
---	--	--

Which 20% of suppliers are likely to give you 80% of your price rises over the next year?		
---	--	--

Which 20% of your suppliers give you exceptional service?		
---	--	--

Which 20% of your suppliers give you exceptionally bad service?		
---	--	--

## Products

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of products or services generate 80% of the revenue?		
--	--	--

Which 20% of product or services account for 80% of the slow moving lines?		
--	--	--

Which 20% of product is likely to account for 80% of the obsolescence or wastage?		
---	--	--

## Customers

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of customers generate 80% of revenues?		
--	--	--

Which 20% of customers generate 80% of referrals?		
---	--	--

Which 20% of customers generate 80% of problems/complaints?		
---	--	--

# Performing An 80/20 Audit On Your Business

## Debtors

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of the debtors ledger generate 80% of the overdue amounts?		
--	--	--

Which 20% of the debtors ledger are likely to deliver you 80% of your possible bad debts?		
---	--	--

## Equipment

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of equipment items give you 80% of your repair expenditures?		
--	--	--

Which 20% of your equipment items are due for imminent replacement?		
---	--	--

## Premises

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of the available floor/window/wall space can produce 80% of the excitable customer/prospect interest? <i>Follow up question: What can be done to make it even more so?</i>		
---	--	--

Which 20% of the floor area space produces 80% of the non-profitable results? <i>Follow up question: What can be done to change this situation?</i>		
--	--	--

## Overhead Expenditure

Applies to my Business	Does not apply to my Business
------------------------	-------------------------------

Which 20% of overhead expenditures constitute 80% of your entire overhead		
---	--	--

Which 80% of expenditure items are capable of a 20% reduction without affecting normal operations?		
--	--	--

# Performing An 80/20 Audit On Your Business

## **CONCLUSION**

A word of warning from Vilfredo's grave. 80% of you will do nothing about this special action report, or will decide to do it tomorrow. The 20% of you who actually take up the pen and paper will generate 80% of the results.

Get in the 20% bracket. Pick up your pen and do it now. If you can't do that, make a commitment with several of your team members to complete the exercise within a certain amount of time.

As Nike says... Just do it!

Good luck, and let me know how you get on. In fact, I'd be very interested to know of any additions to the 80/20 interdependencies that you discover.



# Performing An 80/20 Audit On Your Business

## PARETO (80/20) WORKSHEET

Interdependency:				
Follow Up Questions				
The Identified 20%				
Specific Action Steps	Resp	Target Date	Review Date	Date Complete